

Sophomore: Spring/February/Unit 4

Personal and Family Finances

Objectives:

- To better understand how your finances impact your postsecondary education.
- Examine the relationship between current finances and future financial aid options.
- Evaluate what you have learned.
- COMPLETE THE SUMMER ACADEMY APPLICATION.**
- Contact Site Teachers and NAU Upward Bound office for help as needed.
- Assist in the development of the portfolio program.

To complete this unit successfully and receive your stipend, finish the following activities shown below:

1. Complete all of the activities in this unit.
2. Obtain and complete a grade check for all of your classes. Place a copy of the grade check with the work/information required for this unit.
3. Fill out the evaluation sheet when you have completed the unit assignments.
4. **COMPLETE THE SUMMER ACADEMY APPLICATION.**
5. Fill out the Honorarium/Stipend Request form.
6. Complete this unit and be prepared to review it by _____.

Once you have completed this unit, you should meet with an Upward Bound staff member to go over it and receive and review the next unit.

Telephone: 1-800-628-4494
 E-mail: Diana.Betoney@nau.edu
Roxanne.Begay@nau.edu
Sarah.Kennedy@nau.edu

How much will I earn this month?	
C = \$40.00 complete	<ul style="list-style-type: none"> • Unit 100% complete • Unit turned in on time
P = \$20.00 partial	<ul style="list-style-type: none"> • Unit more than 50% complete • Unit turned in on time
0 = \$0.0 incomplete	<ul style="list-style-type: none"> • A unit turned in late is considered incomplete • A unit less than 50% complete is considered incomplete

What to do if you are absent on the day Portfolio's are to be reviewed by Upward Bound staff members?

Planned Absences (e.g., basketball games, track meets, etc.)	Unplanned Absences (e.g., sickness, flat tire, abduction by aliens, etc.)
<ul style="list-style-type: none"> ◆ Give your binder to your site teacher before you leave for the planned absence. ◆ If you give your binder to your site teacher before you leave, then the UB staff can review your work and you are still eligible for the full \$40.00 stipend. ◆ If you forget to leave your binder with your site teacher before you leave, then your work is late and you are no longer eligible for a stipend. 	<ul style="list-style-type: none"> ◆ Give your binder to your site teacher As Soon As You get back to school. ◆ If you give your binder to your site teacher As Soon As You return from an unplanned absence, then you are still eligible for the full \$40.00 stipend. ◆ If you forget to give your binder to your site teacher As Soon As You return, then your work is late and you are no longer eligible for a stipend.

Step 1: Wants Versus Needs

The truth of the matter is that you are probably going to have to help pay for your postsecondary education. The vast majority of college students today are doing just that, and they are doing it in a variety of ways.

The first thing we need to do, before we start talking about scholarships and work-study jobs, is to take a look at where your finances are right now. To start this process, fill in the table below and identify your ten most recent purchases. List at least ten items you spent money on or purchased recently (e.g., clothes, gas, food, shoes, CDs, etc.). Also indicate where you purchased each item, how much each item cost, and whether you think the items listed are *needs* or *wants*.

Item	Source (Where did you get it?)	Cost (Estimated)	Need? √	Want? √

In the space below, please define a *need* and explain how it is different than a *want*.

Now it's time to go back and review your list. If you think you should change some of your needs to wants, or vice versa, then go ahead! Then answer the following questions.

- Did you spend more money on things you wanted or that you needed?
- Do you think you are more likely to spend money on needs or wants? Why?
- Where do you tend to purchase items on your list? Could you have gone to less expensive stores to buy these things?
- Did you take time to consider whether you really needed these purchases before you bought them, or did you buy on impulse?
- Did you buy any of the items because you were with other people who also were buying them?
- Did you buy any of the items in an attempt to make yourself feel better about something? (This practice is sometimes referred to as “retail therapy.”)

Your spending habits are very important. College seems like it is a long ways away, but, in reality, it’s just around the corner. Now is as good a time as any to start thinking about how you spend money.

Please take a moment and reflect on your answers to the above questions. Then briefly describe your spending habits in the space below.

Step 2: Your Monthly Budget

Now we need to go one step further and make a budget. In order to better understand your own financial situation, you need to figure out how much you make and how much you spend. You may have done this before or may have never even thought about it. Either way, do the best you can and be as accurate as possible.

The first thing you should do is figure out how much you make each month. In order to do this, please complete the following table. If you find that you are filling in a lot of zeros, that’s okay. At this point in your life, you may not have much income, but it is still very important that you start thinking about your finances now. If you do, then you will likely make wise financial decisions in the future.

Income for the Last Month	Dollar Amount
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(approximately 30 days)	
Wages and Tips (after taxes and other deductions)	\$
Savings	\$
Support from Parents	\$
Other (please specify)	\$
Total Monthly Income	\$

Now that you know how much money you make each month, it's time to figure where it goes. In order to do so, please complete the following monthly budget. You can use the table you completed in the first step as a starting point. Again, if you find yourself entering a lot of zeros, that's okay. (Just remember that some day most of those zeros will turn into dollar amounts.)

Expenses for the Last Month (approximately 30 days)	Dollar Amount
<i>Housing</i> Rent, mortgage Electricity, gas, oil Phone Water, sewage, garbage Other (please specify)	
	\$
	\$
	\$
	\$
	\$
<i>Education</i> Tuition and fees (private secondary and/or postsecondary institutions) Books Lab fees School supplies (copying, pencils, notebooks, calculators, etc.) Other (please specify) _____	
	\$
	\$
	\$
	\$
	\$
<i>Food</i> Groceries (include such things as cleaning and personal care products) Eating Out (cafes, restaurants, fast food, etc)	
	\$
<i>Other Living Expenses</i> Laundry and dry cleaning Clothing/shoes/hats Gifts/cards Monthly membership dues/subscriptions Other (please specify)	
	\$
	\$
	\$
	\$
	\$
<i>Transportation</i> Car payments Gas and oil Normal car maintenance License and registration fees	
	\$
	\$
	\$
	\$
	\$

Auto insurance	\$
Parking fees	\$
Bus, taxi, carpool, etc.	
Other (please specify)	
Entertainment	
	\$
Movies	\$
Concerts	\$
Sporting events	\$
Health club memberships	\$
Parties	\$
Cable television	\$
Theater and plays	\$
Electronic equipment (software, CDs, DVDs, etc.)	\$
Sports/recreation equipment	\$
Other (please specify)	
Child Care	
	\$
Daycare	\$
Babysitters	\$
Medical	\$
Toys	\$
Other (please specify)	
Pet Care	
	\$
Veterinary	\$
Food	\$
Other (please specify)	
Unexpected Expenses	
	\$
Car repairs	\$
Medication	\$
Dental care	\$
Other (please specify)	
Other	
	\$
_____	\$
_____	\$
	\$
Total Monthly Expenses	\$

Step 3: Are You in the Red or the Black?

Subtract your expenses from your income to figure out your ending balance.

$$\text{Income} - \text{Expenses} = \text{Ending Balance}$$

Are you in the black (profit) or in the red (financial trouble). If your spending exceeds your income, you must find ways to either get more money or reduce how much you spend. The only other option is to go into debt, which you should avoid at this point in your life.

Step 4: How Can You Contribute Financially to the Goals You Have Set for Your Future?

Take a moment and look back at your September portfolio unit. Look at the list of your long-term goals. What educational and career goals did you list? Have you considered how much it might cost to accomplish your educational and career goals?

Now that you have spent some time looking at your personal finances, as well as your wants and needs, you should be able to figure out how you can best contribute to your future goal-related expenses, such as financing your college education. For example, you may be able to start putting some money aside each month in order to establish a college savings fund. If this is not possible, maybe you can contribute by helping reduce your family's monthly expenses. You might accomplish this by doing your best to buy/ask for things that you need and, thereby, spend less on your wants.

Let's say, for example, that you wanted to be a teacher in ten years. What would you have to do to finance this goal? If you mapped it out, it might look like this:

High School

Begin planning to pay for college:

- √ Conserve Money
- √ Open Savings Account
- √ Apply to College
- √ Scholarships (good grades)
- √ Apply for Financial Aid
- √ Graduation

College

Paying for college:

- √ Family Contribution
- √ Your Savings
- √ Grants
- √ Scholarships
- √ Part-time Job
- √ Work-study
- √ Loans
- √ Graduate

After College

- √ Find Job
- √ Get Paid
- √ Pay Debts
- √ Make a Living

Of course, you're in the very beginning of all this. All you need to do now is begin the planning process by making some short-term goals, such as examining your spending habits, conserving money, and making good grades. Doing these things will help you when it comes time to complete the financial aid process and pay for your postsecondary education.

Step 5: Understanding the Financial Aid Process

Why you don't have to be rich to go to college:

There's money out there looking for you

From: <http://www.collegeboard.com/article/0,3868,6-29-0-4494,00.html>

If you think you have to be rich to go to college, think again. More than \$74 billion in financial aid goes to college students every year. Most of those dollars go to students who really need them. In fact, *the greater your need, the more financial aid you may get.*

What is "need"?

College aid is tied to need, and need, the way colleges define it, has two parts:

1. What college costs: One kind of cost is the cost of going to school (e.g., tuition, books, fees, and supplies). The other is the cost of living while you go to school (e.g., food, housing, transportation, and personal expenses).
2. What you and your family can afford: The colleges and universities you list on your Free Application for Federal Student Aid (FAFSA) will receive a copy of your Student Aid Report (SAR) at about the same time you do. They will use the financial information on your SAR to decide how much aid you will need. For example, if your family has a low income, colleges will figure you need a lot of aid. And if you have big expenses? Say, mom makes a good salary, but there are three kids, one already in college, one in daycare, and grandpa needs long-term care. Again, colleges will figure you need lots of aid.

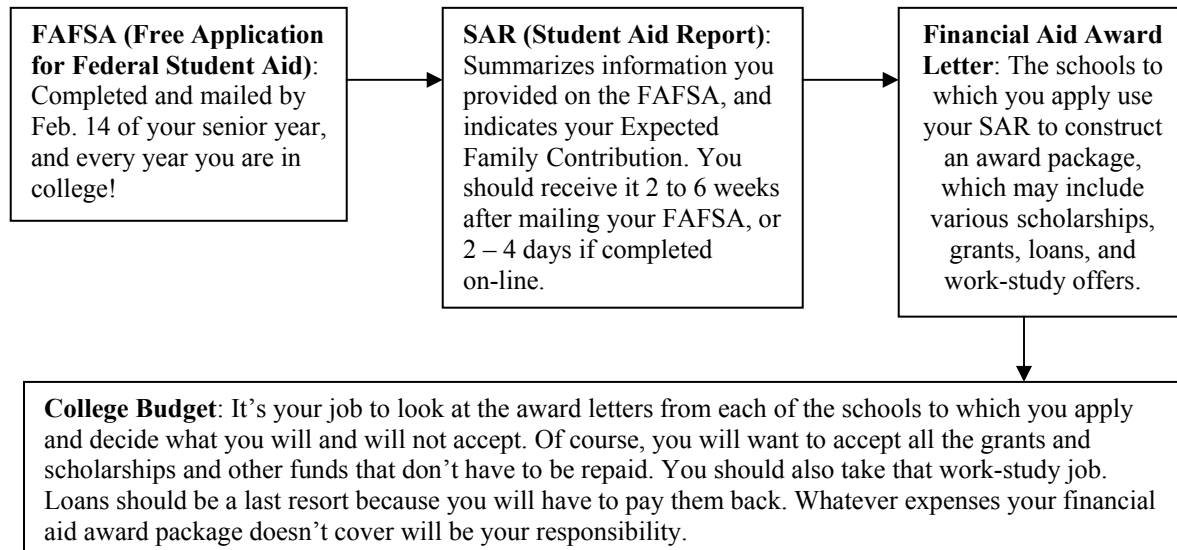
What is "aid"?

After a college decides what you need, it decides how much aid to offer, and what kind. There are four main types:

- 1) **Grants:** Given based on need, they don't have to be repaid.

- 2) **Scholarships:** Given based on need or another basis (e.g., a good PSAT/NMSQT™ score), they don't have to be repaid.
- 3) **Loans:** From the government, banks, or colleges, these must be repaid after you graduate or leave school.
- 4) **Work-study jobs:** Given out by colleges, these let you earn money while doing something like working in the library or another office on campus. You will probably get paid every two weeks while you are working.

The financial aid process goes a little like this:



Now that's a lot of information. Basically, you can boil it all down to one simple formula. Before we give you the formula, we would like you to bear in mind that it is very simple and will only give you a rough estimate of how much money you might *need* to attend a college or university. (It is a very rough estimate, as we do not know how different postsecondary institutions are going to calculate your need. When you get your financial aid award letters, your *need* and the amount of *aid* each school awards may vary dramatically from our simple calculation. However, this is the best we can do right now.)

Here's the formula:

$$\text{COA (cost of attending the college of your choice for one year)} - \text{EFC (amount you and your family can afford to contribute to the cost of your college for one year)} = \text{NEED} \rightarrow \rightarrow \text{COA} - \text{EFC} = \text{NEED}$$

Each school to which you apply will look at your level of need and try to compile a financial aid package that meets your need. However, it is not often that schools are able to provide enough financial aid to cover a student's entire need.

Typically, schools will offer scholarships (if you meet the requirements) and grants (if you meet the requirements) first. Scholarships and grants are funds that don't have to be paid back; they are not loans. You want lots of these, if you can get them. If a school cannot give you enough money through scholarships and grants to cover your need, then they will generally offer work-study jobs and loans. Work-study jobs are good for you (trust us). Loans are not so good for you. Only take them if you have no other options. (Don't be afraid of loans. Just make them your last resort because you will have to pay them back.)

Step 6: Your Monthly Family Budget

Once you decide how much of your financial aid package you are going to accept (each school makes you an offer, and you get to decide how much or little of it you want), it is your responsibility to pay for the rest. Therefore, it's important to know about your family's budget and to understand how you fit into this budget.